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SUNNY OPTICAL TECHNOLOGY (GROUP) COMPANY LIMITED

舜宇光學科技（集團）有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 2382)

CONTINUING CONNECTED TRANSACTIONS

As disclosed in the Prospectus, the Group entered into the Product Sale Agreements with Xingli on 1 January 2007, pursuant to which the Group has purchased from Xingli raw materials such as glass and lenses since 1 January 2007.

Given its growth in business and policy of concentrating on core business of optical and optical-related products, the Group has purchased more raw materials from Xingli than originally expected. As a result, during the period from 1 January 2008 to 30 September 2008, the Group's purchases from Xingli were approaching HK\$1,000,000 and it was estimated that annual purchases for each of the two years ending 31 December 2009 would exceed HK\$1,000,000 but less than HK\$10,000,000. Accordingly, the transactions contemplated under the Product Sale Agreements would no longer be qualified as de minimis transactions under Rule 14A.33(3) of the Listing Rules.

CONTINUING CONNECTED TRANSACTIONS

Background information

The Group is principally engaged in the design, research, development, manufacturing and sale of optical and optical-related products

Business transactions with Xingli

As disclosed in the Prospectus, the Group entered into the Product Sale Agreements with Xingli on 1 January 2007, pursuant to which the Group has purchased from Xingli raw materials such as glass and lenses since 1 January 2007. It was envisaged that the transactions contemplated under the Product Sale Agreements would be conducted on normal commercial terms and conditions which should not be less favourable than those offered to independent third parties other than the Group and priced at market prices. The Directors (including the independent non-executive Directors) were of the opinion that the

Product Sale Agreements were made on normal commercial terms in the ordinary and usual course of business of the Group and were in the best interests of the Company and the Shareholders as a whole and that the terms and conditions, which were arrived at after arm's length negotiations between the parties involved, are fair and reasonable to the Company.

Xingli is a limited company established in the PRC whose principal business activity is manufacturing and sale of parts for optical components. Xingli is wholly-owned by a brother-in-law of Mr. Ye and Mr. Ye, being an executive Director, is a connected person of the Company. Accordingly, Xingli is the associate of a connected person of the Company and any transactions between the Group and Xingli shall constitute connected transactions under the Listing Rules.

Product Sale Agreements

Before Listing, it was anticipated that, for the transactions contemplated under the Product Sale Agreements, each of the percentage ratios (other than the profit ratio), where applicable, calculated by reference to Rule 14.07 of the Listing Rules, on an annual basis, would be less than 0.1%, or more than 0.1% but less than 2.5% and the annual consideration would be less than HK\$1,000,000. Therefore, the transactions would be qualified under Rule 14A.33(3) of the Listing Rules as de minimis transactions which would be exempt from reporting, announcement and independent shareholders' approval requirements.

Given its growth in business and policy of concentrating on core business of optical and optical-related products, the Group has purchased more raw materials than originally expected from Xingli. As a result, during the period from 1 January 2008 to 30 September 2008, the Group's purchases from Xingli were approaching HK\$1,000,000 and it was estimated that the annual purchases for each of the two years ending 31 December 2009 would exceeded HK\$1,000,000 but less than HK\$10,000,000 according to the following calculation:

Purchases from Xingli for the year ended 31 December			Purchases from Xingli for the 9 months ended 30 September 2008	Cap of purchases from Xingli for the year ending 31 December	
2005	2006	2007	2008	2008	2009
(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'million)	(RMB'million)
0	273	575	940	1.3	1.8

The Directors are of the view that the annual cap for the purchases from Xingli under the Product Sale Agreements is a reasonable estimate of the total future purchases from Xingli as it was arrived at after due and careful consideration of the Group's production forecast.

Accordingly, the transactions contemplated under the Product Sale Agreements would no longer be qualified as de minimis transactions under Rule 14A.33(3) of the Listing Rules.

The transactions between Xingli and the Group constitute connected transactions for the Company under the Listing Rules and will be subject to reporting and announcement requirements under Rule 14A.34 of the Listing Rules. The Company will comply with the reporting and announcement requirements set out in Rule 14A.45 to Rule 14A.47 of the Listing Rules.

Reason for revising the annual cap

The Group purchases goods and raw materials such as glass and lenses from Xingli. In term of quality, the goods and raw materials supplied by Xingli meet the standards required by the Group. Prices are comparable and not higher than similar goods and/or raw materials offered by other independent suppliers. In addition, Xingli provides the Group with more choices in sourcing and procurement of goods and raw materials and thus enhance the stability of the supply of goods and raw materials to the Group.

The Directors (including the independent non-executive Directors) are of the opinion that the Product Sale Agreements are made on normal commercial terms in the ordinary and usual course of business of the Group and is in the best interests of the Company and the Shareholders as a whole and that the terms and conditions, which were arrived at after arm's length negotiations between the parties involved, are fair and reasonable to the Company.

After due and careful consideration of the Group's business development, the Directors are of the view that by concentrating more on the core business of optical and optical-related products, the Group will be able to attain a more efficient use of factory premises and better allocation of resources. The Directors are of the view that the revised annual cap for the Product Sale Agreements is a reasonable estimate for the total future sums payable to Xingli in respect of the purchase of goods and raw materials on the basis aforementioned.

The transactions between the Group and Xingli under the Product Sale Agreements constitute connected transactions for the Company under the Listing Rules and will be subject to reporting and announcement requirements under Rule 14A.34 of the Listing Rules. The Company will comply with the reporting and announcement requirements set out in Rule 14A.45 to Rule 14A.47 of the Listing Rules.

DEFINITIONS

In this announcement, unless the context otherwise requires, the below expressions shall have the following meanings:

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| “associate(s)” | has the meaning ascribed thereto under the Listing Rules; |
| “Board” | means the board of Directors; |
| “Company” | means Sunny Optical Technology (Group) Company Limited, a company incorporated in the Cayman Islands with limited liability on 21 September 2006 whose shares are listed and traded on the Main Board of the Stock Exchange; |
| “connected person(s)” | has the meaning ascribed thereto under the Listing Rules; |

“Director(s)”	means director(s) of the Company;
“Group”	means the Company and its subsidiaries;
“HK\$”	means Hong Kong dollars, the lawful currency of Hong Kong;
“Hong Kong”	means the Hong Kong Special Administrative Region of the PRC;
“Listing”	means listing of the shares of the Company on the Main Board of the Stock Exchange on 15 June 2007;
“Listing Rules”	means the Rules Governing the Listing of Securities on the Stock Exchange;
“Mr. Ye”	means Mr. Ye Liaoning, an executive Director;
“PRC” or “China”	means the People’s Republic of China;
“Product Sale Agreements”	means the product sale agreements dated 1 January 2007 entered into between the Group and Xingli;
“Prospectus”	means the prospectus of the Company dated 4 June 2007;
“RMB”	means Renminbi, the lawful currency of the PRC;
“Shareholder(s)”	means shareholder(s) of the Company;
“Stock Exchange”	means the Stock Exchange of Hong Kong Limited;
“Substantial Shareholder”	means substantial shareholder of the Company, which has the meaning ascribed thereto under the Listing Rules;
“Xingli”	means 餘姚市興立光學器材廠 (Yuyao City Xingli Optics Instruments Factory), an entity established in the PRC;
“%”	means per cent.

By order of the Board
Sunny Optical Technology (Group) Company Limited
Wang Wenjian
Chairman and Executive Director

Hong Kong, 10 November 2008

As at the date of this announcement, the Board comprises Mr. Wang Wenjian, Mr. Ye Liaoning, Mr. Xie Minghua and Mr. Wu Jinxian, who are executive directors, and Mr. Shao Yang Dong and Mr. Michael David Ricks, who are non-executive directors, and Dr. Chang Mei Dick, Mr. Koji Suzuki, Dr. Liu Xu, Mr. Zhang Yuqing, who are independent non-executive directors.